3 1761 07488431 3

EcC
M6896

[Modern Business Talks]
EcC
M6896

SAVING SALESMEN

Investment has a many-sided importance, as illustrated by the novel use made of it by an executive for the purpose of quickening sales in his organization.

MODERN BUSINESS
TALK No. 45
(WITH VOLUME 23)

ALEXANDER HAMILTON INSTITUTE
NEW YORK

R.A. 45
FH 207

Saving Salesmen

UNIVERSITY OF TORONTO LIBRARY

This Talk, to be read in connection with Volume 23, forms part of READING ASSIGNMENT 45

233895
14
6.29
1

ALEXANDER HAMILTON INSTITUTE
NEW YORK

Copyright, 1918, by Alexander Hamilton Institute
Copyrighted in Great Britain in 1918
All Rights Reserved

READING ASSIGNMENT

The current Reading Assignment consists of three parts: (1) this Talk; (2) Chapters I to X of Volume 23, "Investment"; and (3) Lecture 23.

The measure of a man's growth is as much the measure of what he gives out as what he takes in. We cannot hoard up learning and get the good of it. Read and put to use. Turn the principles into plans and policies for the good of the business. Share your knowledge and enthusiasm with others.

Saving Salesmen

The tight-wad has never been popular with the American people. We have been fortunate in making money easily and have given little thought to saving it. The habitual thrift of the Scotch and the French for example has appealed to us as cheeseparing in which we had little interest. Our welfare has been based on activity, not frugality. Perhaps if a choice must be made ours has been a wise one. But a time has come in our national life when both forces are needed to the uttermost limit.

Lessons of saving learned now will be of the greatest value in the future. The war has waked us up here as elsewhere. Look at the Liberty Loans with over 17,000,000 separate subscriptions! There is no telling, of course, how many different individuals subscribed, but it is true that millions of people who never even heard of a bond—children and babes in arms—are now actual investors. One can hardly exaggerate the significance of the tendency.

But saving may begin, it does not end, with saving money. It means the saving of materials, the saving of effort, the promotion of efficiency, the elimination of waste. How intimately these are associated can

be seen in the business policy of a concern that induced its salesmen to save and thereby saved its salesmen.

Trying Out a Little Idea

Hollander, owner of a motor truck sales agency in the Middle West, and his friend, the general manager of a tire manufacturing company, had fished their favorite Canadian brook for three days. By mutual consent they had kept off business topics, but at length the strain became too great. In the same breath Hollander let out a chuckle and a secret.

"I've been trying out a neat little idea in my organization, old man", he said, "and I've just got to tell you about it."

"Yeh?" grunted his friend from his couch of pine boughs on the other side of the supper fire.

"Yes", said Hollander, who needed no encouragement to go on. "I think I told you a few months ago what I was doing."

"Investment stuff?"

"That's it!" said Hollander. "Well, Bill, the charm's worked. I'm getting results. And when you say that about a new wrinkle in training motor truck salesmen, you're saying something. It's a hard game. To get, train and keep men—well, you know you're working. I have eleven men. Two of the bunch make from $100 to $150 a week. Two more earn around $75 and the balance trail along with from $30 to $50. I'm letting $30 fellows go right along. All the other truck companies are up against

the same condition. We all need bigger men, but where can we get them?

How the New Salesman Turned Up "Leads"

"Last fall, I took on a young fellow, Key, by name, who without meaning it gave me an entirely new slant at the problem. He is only 26 or 27 years old, but a regular producer. Well, this is how good he is: he hadn't been with us a month before he began to turn up 'leads' three to anybody else's one. And closed them, too. When I looked into it, I found he was advertising in the classified columns of the daily papers—for truck jobs, and then using the jobs as a solicitation to sell trucks. 'See how easy it is to get business', he would tell 'em. I haven't spared any pains to fit our boys for service and put them in the way of getting business, but that was a new one on me.

"As a matter of fact, I try to keep up close to them and know them intimately. We have all the regular fixings: sales classes, monthly dinners, bonuses, prize contests, personal talks, and the rest. They all help to tilt the sales curve upward, but still I was not satisfied, as I told you at the time, because the gains came almost altogether from the boys who were already producing more than their share. Did this prove that salesmen are born, not made? I didn't believe it. The best men were naturally good, but they had been developed. I couldn't see why it was not possible to show the others, also, how to extend themselves.

"The fault might be with the material", continued Hollander, "but I figured two alternatives—either the training wasn't being adapted to them, or else there were counter attractions or distractions in their lives that we were not meeting. To cut a long story short, I made up my mind it was the latter. Men of small earning capacity are sometimes equal to a strong burst of speed for a few days, but after a while the old easy-going habits get them again. It's no use 'bawling them out' for yielding; the only cure is to give them something bigger and more gripping to take hold of.

Boosting Salaries as an Experiment

"I didn't get that angle in the beginning. The first attempt I made at a solution was from another direction. The low producers, I noticed, were always short of money, were always borrowing from each other and borrowing ahead on their drawing accounts. They lunched in cheap restaurants and talked with cheap people on cheap topics. What was there in such an existence to give them the dignity or confidence they should have to meet business executives?

"But how to cure it? I couldn't pay them more than they could earn. But suppose I put the drawing account up, wouldn't they, with a little support, keep it there? That was the way I argued, and purely as an experiment I fixed the minimum salary for all of them at $50 a week, with commission above that. I told them I had every confidence they would all earn it. Well, it worked fifty-fifty. Some of the

low men made it and stuck; others fell down and I had to let them go. And it was hard to replace them. So that wasn't the complete answer.

Young Salesman's Talk Gives the Clue

"Then one day I had a talk with this young Key that gave me a clue. He had spoken offhand of some investments of his and, somewhat amused, I drew him out on the subject.

" 'Oh', he said, 'I'm not trying to splash. I'm going pretty slowly and carefully. But I've got a couple of thousand in something that's bringing me in 9 per cent.'

" 'That's certainly good', I said, 'providing it's safe. But I don't know many investments at 9 per cent that are.'

" 'Well, it looks safe enough to me', he said. 'You see I know the people and the bank and my father and uncle think it's all right, too. It's this way: A couple of live young fellows with a growing business wanted to raise $12,000 on their plant to buy more machinery. The savings bank wouldn't lend them more than $10,000. They went to my father, who is in the real estate business. It was too small for him to bother with and he turned it over to me.

" 'I went down to see the bank and we arranged a participating mortgage—you know them, such as the big insurance companies are always buying. The men gave me a mortgage and bond for $12,000. I assigned it to the bank for $10,000, receiving for it an agreement to account to me for the balance of the

principal and interest, after they had their 5 per cent. Then I borrowed $2,000 from my own bank at 5 per cent. The bond was for 6½ per cent, so I'm netting 1½ per cent on the $12,000, which is just 9 per cent on the $2,000 I personally borrowed.'

"Pretty shrewd for a youngster, eh?" continued Hollander. "I found that he owned real estate and several guaranteed real estate bonds. I suspect he intends to join his father ultimately and is only getting outside experience. But he said something that struck me. He told me he was not going to confine his interest to real estate, but was going to invest in every class of security there is, not alone for making money but also so as to force him to study investment in every field; in other words, to get a broad business education. He was planning big.

How He Came to Take It Up

" 'My father and uncle have been after me to do it', he said. 'They say that investment is one of the big interests of life, one of the big factors of civilization, and the best way to really understand it is to have some of my own money working in every field. And that's what I'm going to do.'

" 'Your father and uncle are all right', I told him. 'How much of this is their idea and how much is yours?'

" 'Well, to tell the truth', he said, 'they just about wished it on me in the beginning, that's a fact.'

"And as far as I could gather, he was right. He has good stuff in him, but it would have been just

about as easy to go wrong as to go right at the start, and that set me thinking. I compared him with the other salesmen. There are bright fellows among them; some of the poorest producers are just as keen on the whole and just as much in earnest as he is. If his mind is always on the alert, looking about, planning, it is partly because it has been shaped that way for him. And partly, too, as I realized after I got to chewing on the thought, because his mind has something concrete to work on—investments.

"An income ought to be concrete enough for any purpose, but it isn't, always. We have to go behind it. What does salary and commission mean to young Key? It means a chance to save and invest. But if nobody had told him how to spend his earnings, he would have found ways of his own to do so and some of the ways would have been wasteful and others downright bad. They would have been standardized into habits so strong that no mere sales talks or any series of them would have been able to break them down.

What the "Hunch" Led to

"That was the trouble with those ordinary salesmen of ours. I had a sudden hunch to talk it over with Key.

" 'You know who the highliners in the organization are', I said to him. 'What do you think—could we do anything with the others by talking investment to them, by teaching them how to save and make their money work for them? Would that make the daily

grind look any more interesting and important to them?'

" 'Well', said the young fellow, 'I never met anybody who didn't want money and wasn't interested in how to make it.'

"I decided to start something at once. I talked with each of the men. I brought up the idea as a business point which had nothing to do with their personal habits. I laid bare the sales problem and showed the necessity for getting more volume. I told about my own investments, how I began with a savings bank account, took on life insurance, then joined a building and loan society, and how as a result I had some capital to start with later when I needed it. I told what investments I had made and why and how interesting as well as remunerative it had all proved to be. I didn't tell them that Key had set me off on the subject. That might have seemed to the others like rubbing it in.

"When we held the next weekly sales meeting, things started off right. We devoted half the evening to investments. I proposed a pooling plan for the investment of surplus earnings—so much apiece over the monthly quota. The idea was to buy bonds until we had one or more apiece. If anybody left the organization, the rest of us could buy his equity. We didn't come to any decision as to what to buy. I didn't intend we should. It was part of my plan to study the whole field of investment and keep the fellows on their toes as long as possible.

"So I ran over briefly the general principles of security, income, convertibility into cash, stability of price and prospect of appreciation in value. Then I went into the difference between investment and speculation. I dwelt on the hazards of speculation and showed that a man should have savings as a shock-absorber in time of need. I emphasized the steadying sense of importance which possession gives.

" 'Why, boys', I said, 'you've no idea what a difference it will make with your sales, your daily work, with your life, to be on the same side of the fence with the business man, to be interested in and keen about the same things that he is interested in. The man who hasn't investments or hasn't the investment principles at his fingers' ends misses a good many chances to get close to his prospect—he's on the outside and not even looking in.'

"Well, I got 'em going that first night. At the next meeting we discussed what to buy—that is, bonds, not stocks. We classified bonds into farm mortgages and city real estate mortgages, government, state and municipal securities, industrial, railroad, public utility and so on.

"The next week we started to ventilate the subject of farm mortgages. As soon as we got fairly into it I could see that we had not made any mistake. Trust me, investment is the best thing in the world to bring home to any one the necessity for care and caution.

"Despite all of our teaching in salesmanship I know

that some of our salesmen habitually took 'leads' and went straight out to the prospects without any preparation whatever—no sort of attempt to get information in regard to the man or his rating, or to consider what special argument would fit his case.

What Tickled the Head of the House

"So when we began to consider farm loans and found that we had to have maps and data on climate, rainfall, character of soil, irrigation, kinds and value of crops, prices current, shipping conditions, comparative mortgage yield, reliability of real estate agents and brokers and a thousand other things, I was tickled to death. The boys were getting the true doctrine and they were taking it in 100 per cent. It was a new interest, and it was play to them.

"Well, we got literature from bond houses and sent away for government reports, soil survey bulletins, and the like. We each chose a different section of the country and collected information about it from the United States Department of Agriculture, the state agricultural departments, the investment houses and banks in the farming sections.

"The tests of a conservative mortgage—you see I am full of it myself—came up: the land must be productive, must be properly worked, the valuation must cover the mortgage, the owner must have farming ability and a good reputation as a debt-payer, and the papers must be prepared by experts and be duly certified as authentic.

"I saw that those points were driven home. I

wanted to get them well into their heads so that later I could make some comparisons. Most of these young fellows had really never studied any other subject than our own sales proposition and this was the first background they had to set up against it.

"Naturally we hadn't gone many weeks before I began to see a change in the demeanor of the men. You know even a little broadening out is enough to show a difference. The boys were talking like a lot of capitalists and I hoped they were beginning to feel like it. At any rate the record was showing a touch of results.

Turning Options on City Real Estate

"When we got to city real estate, believe me, it was interesting. Key gave us a talk and told how he had picked up a lot of money getting and selling options. He had been for years making a study of values under the guidance of his father. He explained how the city grows, first one way and then another, spreading out in directions and spots that can only be anticipated by a close student. Property is highest, of course, around the center of the retail shopping district, but even that, as you know, keeps moving.

"Key never ran into a man outside that he didn't find out if he were a property owner, and when he found one he never failed to ask what he would sell for. If the price was lower than he thought it had a right to be, he would take an option on it, if possible, to buy it at that price on terms within a certain time. The options might cost him all the way from $10 to

$50, but he would sometimes clear two or three hundred dollars by turning it over to his father or some other real estate broker.

" 'I cleared up $500 before breakfast one morning', he told us. 'I found a residential property priced unusually low. I got an option on it at the figure late that night, got my uncle later on the telephone and sold the option to him before 7:30 the next morning.'

"I wasn't anxious to have the boys get too much interested in this phase of investment. Besides, as I pointed out to them, a nose for realty values took years to develop and selling real estate was much like selling anything else. We wanted to know details for purposes of investment, and so, after a discussion of the different standards of estimating lot values, I suggested that we pass on to mortgage bonds, which were the only things in a real estate line we could buy.

"At subsequent meetings we heard how the development of real estate investment had divided the field into investment companies that buy mortgages and issue bonds against them, and financial houses which guarantee and market them. This covered collateral real estate bonds, too.

When is a Bond Not Merely a Bond?

"In this way we went down the list of bonds. Every meeting was interesting because we tried to make it interesting. A broker friend of mine came up one evening and gave us an hour's talk on convertible bonds, and it was interesting. There was something about this kind of bonds that caught the boys' fancy

—the idea of a security that is as safe as a bond and is a bond, that can be bought in panicky times or when a stock is low and yet can be exchanged for the stock, dollar for dollar, when the latter shows signs of going up. If we had put it to a vote that night we would probably all have bought convertibles.

"As a matter of fact, for reasons of house policy, I steered them toward a good old standard bond that never will get any of them into trouble. I told them they could take any chances later if they wanted to, 'on their own.'

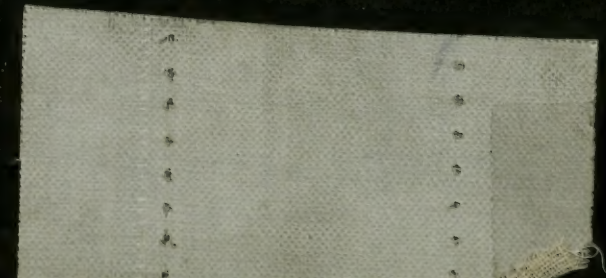
"The results have been excellent. The record of practically every man who was with us at the start has improved. They have learned how to invest their time and ability as well as their savings. I believe I have done them a lot of permanent good while laying the foundation for a real sales organization."

The Go-Between of Savings and Capital

As Hollander's experience shows, a knowledge of investment principles is valuable to everybody. The Text which accompanies this Talk is written for the man in business, whether or not an executive, and covers investments in all fields from the practical viewpoint. Even the youngest of men will some day need capital—capital to insure independence and a wide range of action; capital to attract other capital; capital, especially, against the day when his organized business knowledge, broad experience and influential business connections shall open up for him the way to wealth, power and public service. Investment is

one of the things that will provide it. It is indispensable to the man who takes his career seriously, refuses to trifle with his opportunities, but on the contrary seeks to turn every current and influence to account.

NO
26



UTL AT DOWNSVIEW
D RANGE BAY SHLF POS ITEM C
39 11 11 04 13 012 5